Google Americas QBR: Trade Marketing Strategy Deep Dive
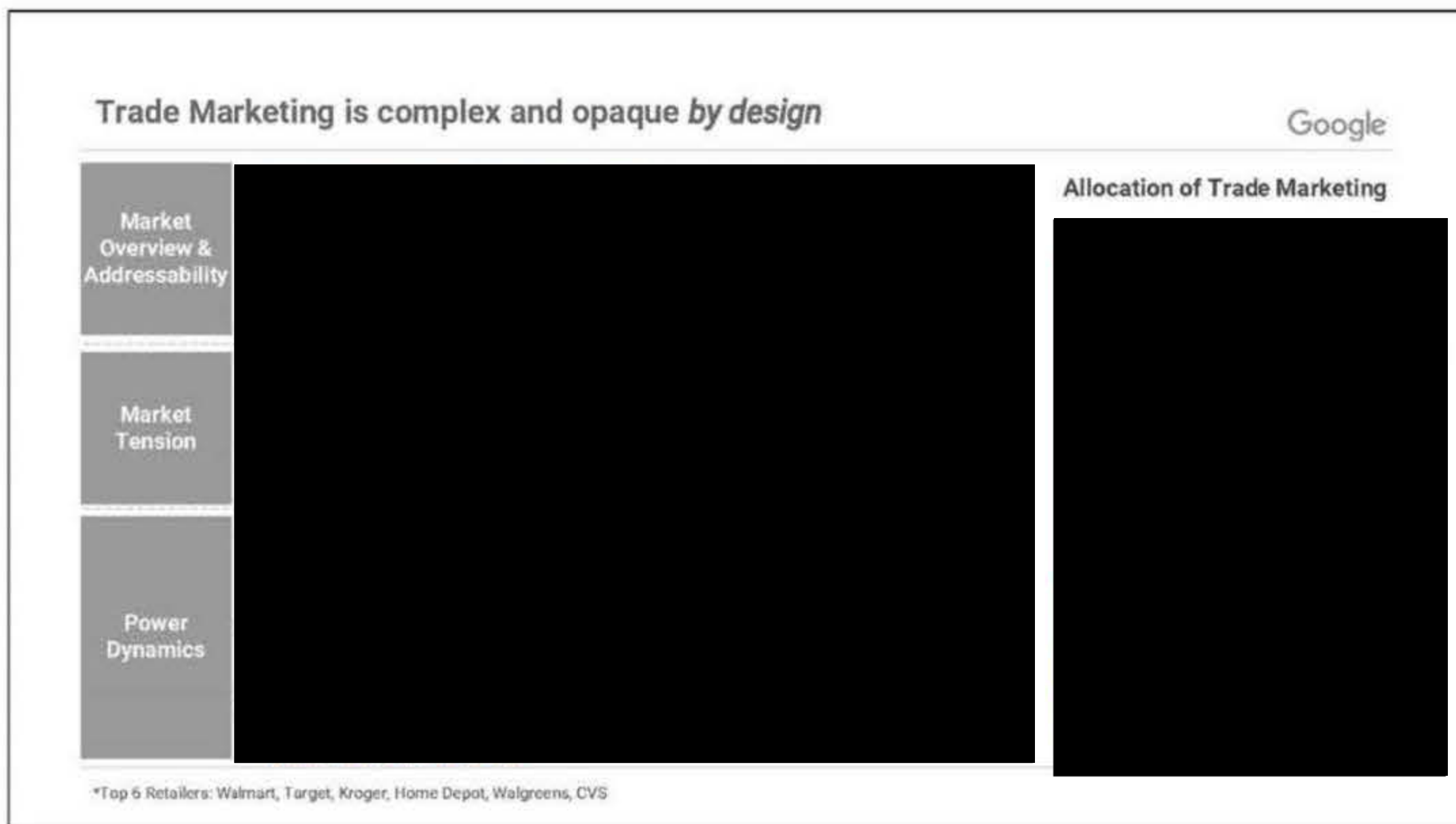
April 12, 2019

For Reference:
Trade Marketing Emerging Strategy

Trade Marketing is complex and opaque *by design*

Google

Market Overview & Addressability

Market Tension

Power Dynamics

Allocation of Trade Marketing

*Top 6 Retailers: Walmart, Target, Kroger, Home Depot, Walgreens, CVS

Trade Marketing Today

Google

Current-State (Simplified)

1. Manufacturers give retailers funds to promote their products (i.e. end caps, circulars, digital, etc.); Often a 'cost to play'

2. Retailers distribute funds across Temporary Price Reduction (i.e. coupons), 'value exchange' (e.g., circulars, endcaps), and keep some as margin (either directly like 'slotting fees' or through arbitrage like circulars -- where cost to produce is less that coop collected). Retailers typically invest a small portion of Trade Marketing funds in digital marketing (aka co-media) spent through Google

Trade Marketing in The Future

Google

Trade Marketing in the Future

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Amazon - Media & Trade Marketing Activity
Google

MEDIA

In 2018 Amazon merged All Media Channels to Amazon Advertising, inclusive of (1) Sponsored Product Ads (2) Display Ads (3) Video Ads (4) Brand Stores (5) Measurement (6) Amazon DSP

- **Primary Metrics (For Onsite Amazon Advertising Buys):** Keyword + SKU Level, impressions, clicks, CTR, CVR, spend, sales, Cost Per Sale), Avg. Cost of Sale
- **Secondary Metrics (Top Clients, Spend Level Dependent):** Top 3 products in basket, portfolio impact (ie. sales on all Pantene SKUs from hair spray ad), new users to brand
- **Amazon Attribution Beta (Launched 11/18):** 1x1 Image Pixel, provides SKU level and brand halo conversion reporting from offsite media (Google, Facebook, Bing) driving to Amazon.com. Big bet from Amazon to capture incremental brand budgets

Key Themes & Shifts

1) The "more you invest the more you get"

2) Organizationally shifting Trade / MDF as independent negotiation to bundle upfront with Media. Overall effort to consolidate with value ads

TRADE / Marketing Development Funds (MDF)

Like traditional retailers, Amazon's Trade division (aka merchandising) takes money from manufacturers as a "cost to play." Today, Amazon Trade / MDF is a scaled 5-20% fee, accounted as contra-COGS.

- Trade/MDF goes straight to bottom line to help with price, margin, shipping, etc.
- AMZ is trying to negotiate higher MDF fee's by promising SVAs such as "custom design homepages"
- Concerted effort to bundle with Media Upfronts and Bulk Wholesale discounts. Early signs of AMZ shifting MDF to be accounted as Marketing spend

Amazon Advertisers Offers 5 Solutions
1) Sponsored Products and Sponsored Brands which allow advertisers to promote their products or brand to make it even easier for customers to discover and purchase products on Amazon
2) Display ads reach relevant audiences on Amazon and third-party sites and apps using customizable brand or e-commerce creatives, and actionable insights to help advertisers optimize ads to achieve various objectives. Product Display Ads are also available for advertisers who sell products on Amazon to drive traffic to their product detail pages.
3) Video ads help advertisers tell their brand story and engage customers in brand-safe environments via trusted channels like Amazon and IMDb, on exclusive Amazon devices such as Fire TV or Fire tablet, and across third-party sites and apps.
4) Amazon Stores allow vendors and sellers to create their own website, with its own branded URL, on Amazon. Vendors and sellers can use a Store to showcase a brand story and product portfolio in a curated customer destination.
5) Amazon DSP is a demand-side platform that allows advertisers to programmatically reach their audiences both on Amazon sites and apps as well as through Amazon's direct publisher relationships and third-party exchanges. Advertisers can manage, optimize, and report on their programmatic display and video campaigns through the Amazon DSP console.

Contrary Perspective:
- Sku level sales returns, broken out by ad type, creative, and audience, AMZ can report % new AMZ users who purchased Gatorade. They cannot tell me if the person previously bought Gatorade anywhere else. Because of that, it is difficult to assess true incrementality,
AMZ is able to segment users by past brand purchases. For example, it's possible to target past Gatorade purchases last 12 months with a campaign for a new flavor.
- New users to brand (note, new AMZ users only).
- Impact of advertising on total brand (I.e. beyond promoted skus). : For example - I execute an AMZ campaign featuring only Gatorade Orange Flavor. AMZ would tell me: You spent $100 dollars on a banner ad featuring only Gatorade Orange. $200 of Gatorade Orange sales can be attributed to clicks or views from that banner ad. In addition, during the campaign period, $50 of sales of Gatorade Blue and Red were attributed to clicks or impressions from the banner. So, AMZ would count the total ROAS as $2.50, not $2.00.
- Top 3 products most likely to be in basket with your brand.
- Impact of upper funnel AMZ ads (like video) on last click sales (i.e. % of paid search clicks from those exposed to video ads).
- DLX measurement (for fee) to measure offline impact of AMZ display advertising.

https://www.cpcstrategy.com/blog/2018/09/amazon-advertising-rebranding/

Google's Focus Segments

Google
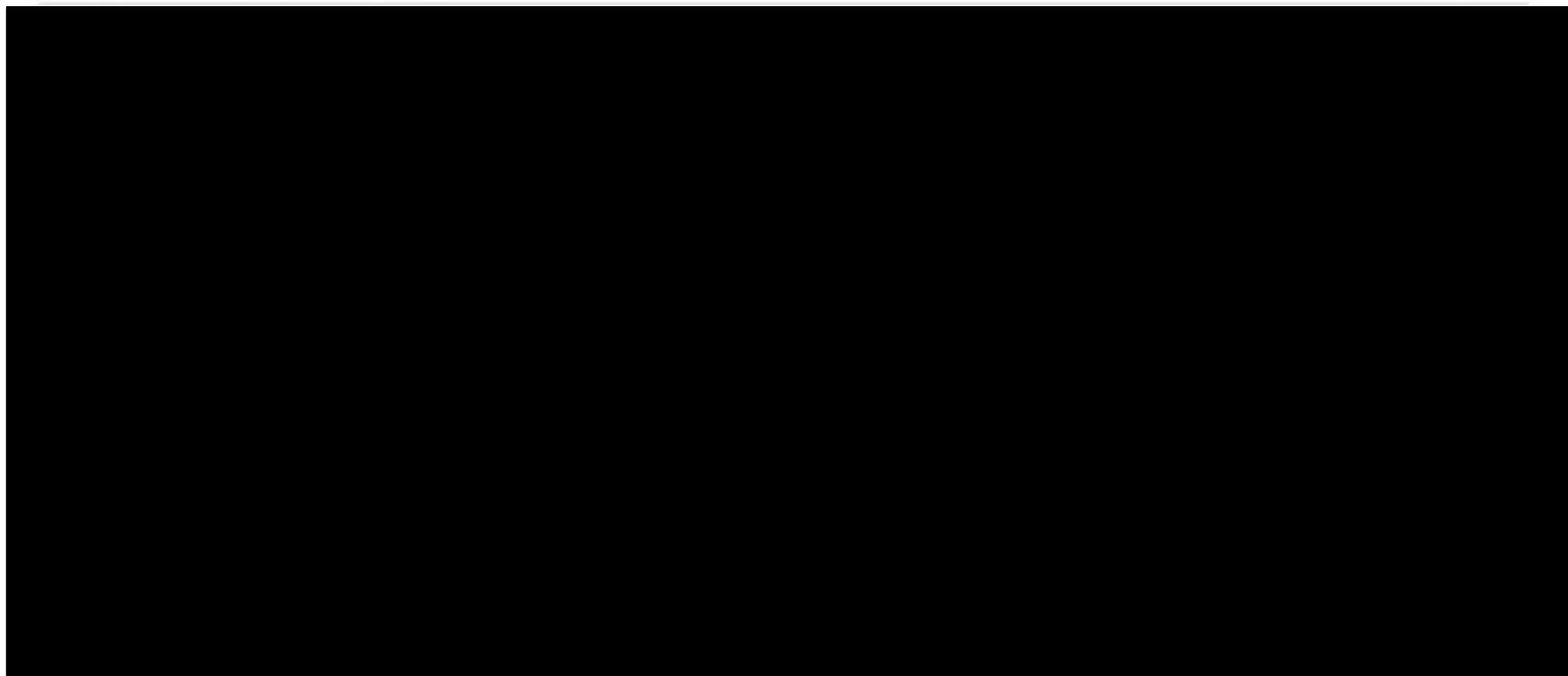
*Across all segments there is a risk of retailers shifting existing media spend in lieu of trade or incremental brand budgets – i.e. "Do More, Spend Less"

Activation Examples

Google

		2018	2019	2020+

Whales

- **Target Media Network** drove $500M in total revenue for Target; Google captured 16% or ~**$50M** of TMN addressable media ($300M) opportunity. +125% YoY / $30m incremental
- **Success KPIs:** Revenue growth (YoY $ growth from brands), ROI improvements (online + offline) for brands, process automation (automated ad ops, better reporting)
- **Lessons Learned:** 1) Target wants to have control over the sales process (whether that's Media or Measurement); 2) Manufacturers want more performance driven ad solutions (like Google Search)

Estimated ~$75M (+50% YoY) opportunity from core product enhancements & training. Verbal agreement on Shopping + Measurement deal to open new revenue channels for Target / Google

■ (redacted)

Category Leads

ULTA

- **Ulta Beauty Brand Partner Program** is a 90% Social + Display investment. *Google captured less than $200k*
- **Success KPIs:** Incremental omnichannel revenue from digital Trade Marketing, establishing long-term 'upfront like' partnerships with commitment values
- **Lessons Learned:** 1) Need to solidify a lead generation and co-funded activation process between Google and retailers, 2) Need for more holistic merchant reporting showcasing incrementality driven by manufacturer investment

Estimated ~$5M+ Opp adopting Plug + Play Shopping Solutions (SPA, Co-Funded) - TrueView formally included in Brand Partner Program. Alignment to adopt GMP by end of year through the Retail Acceleration Program (RAP)

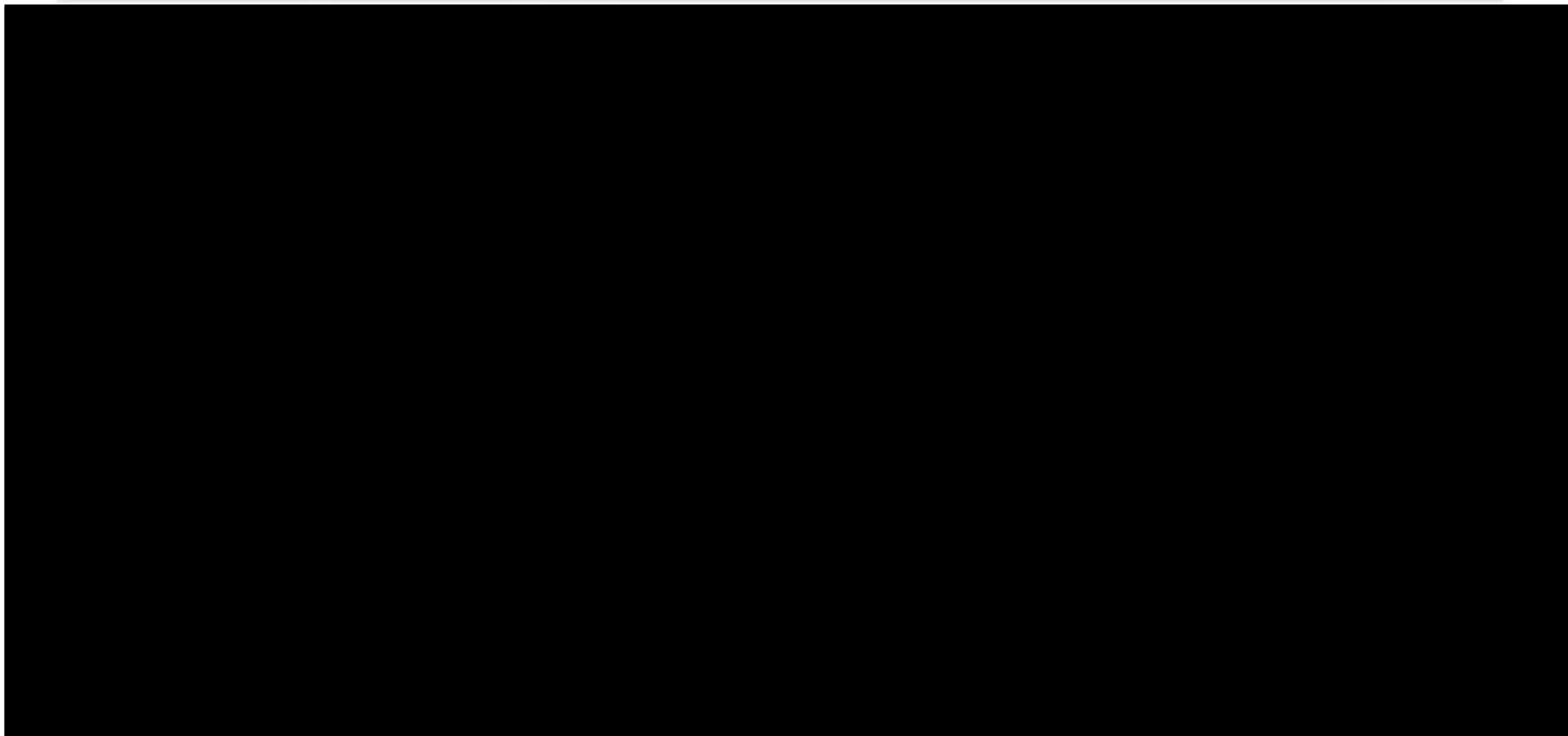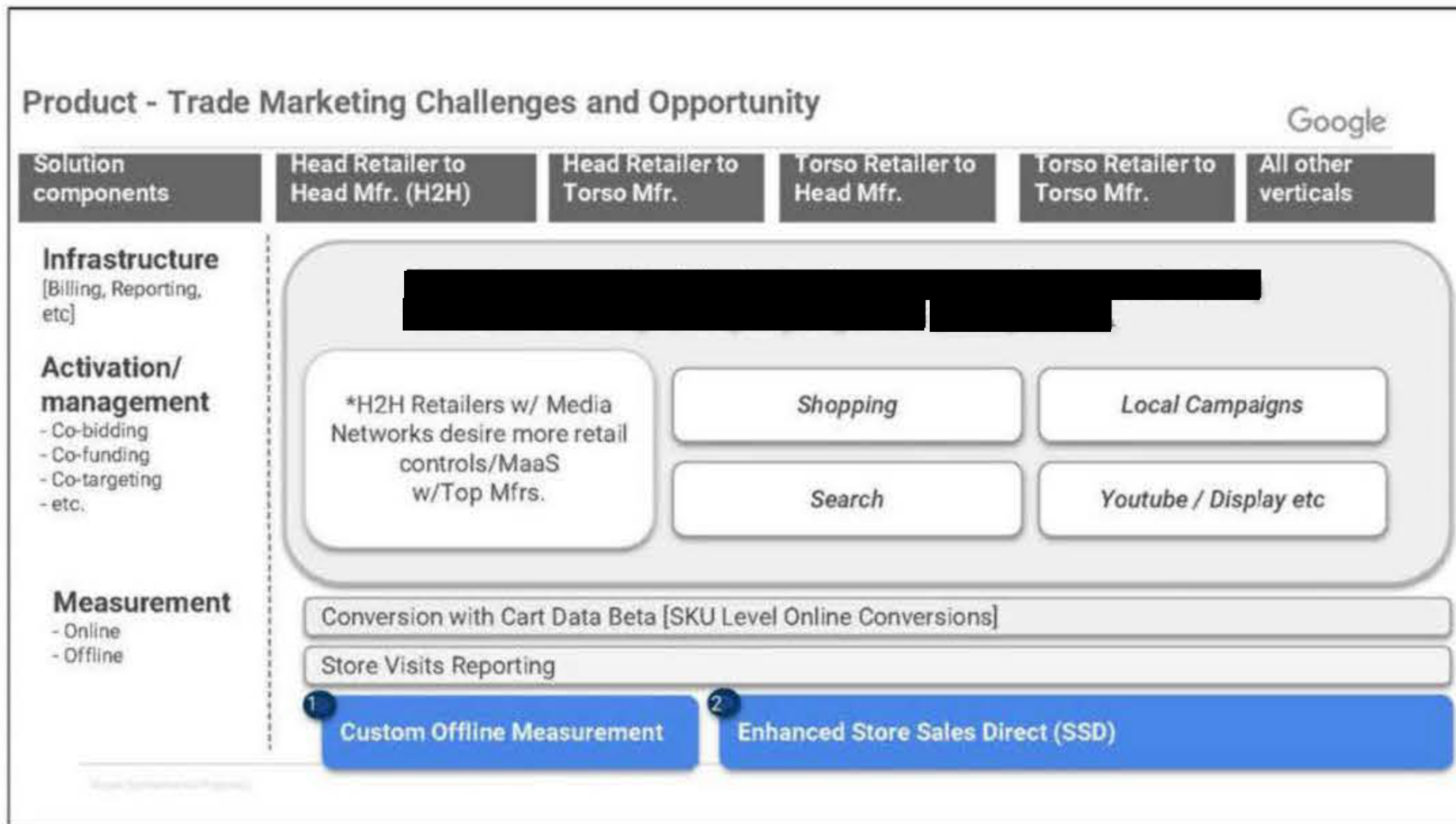■ (redacted)

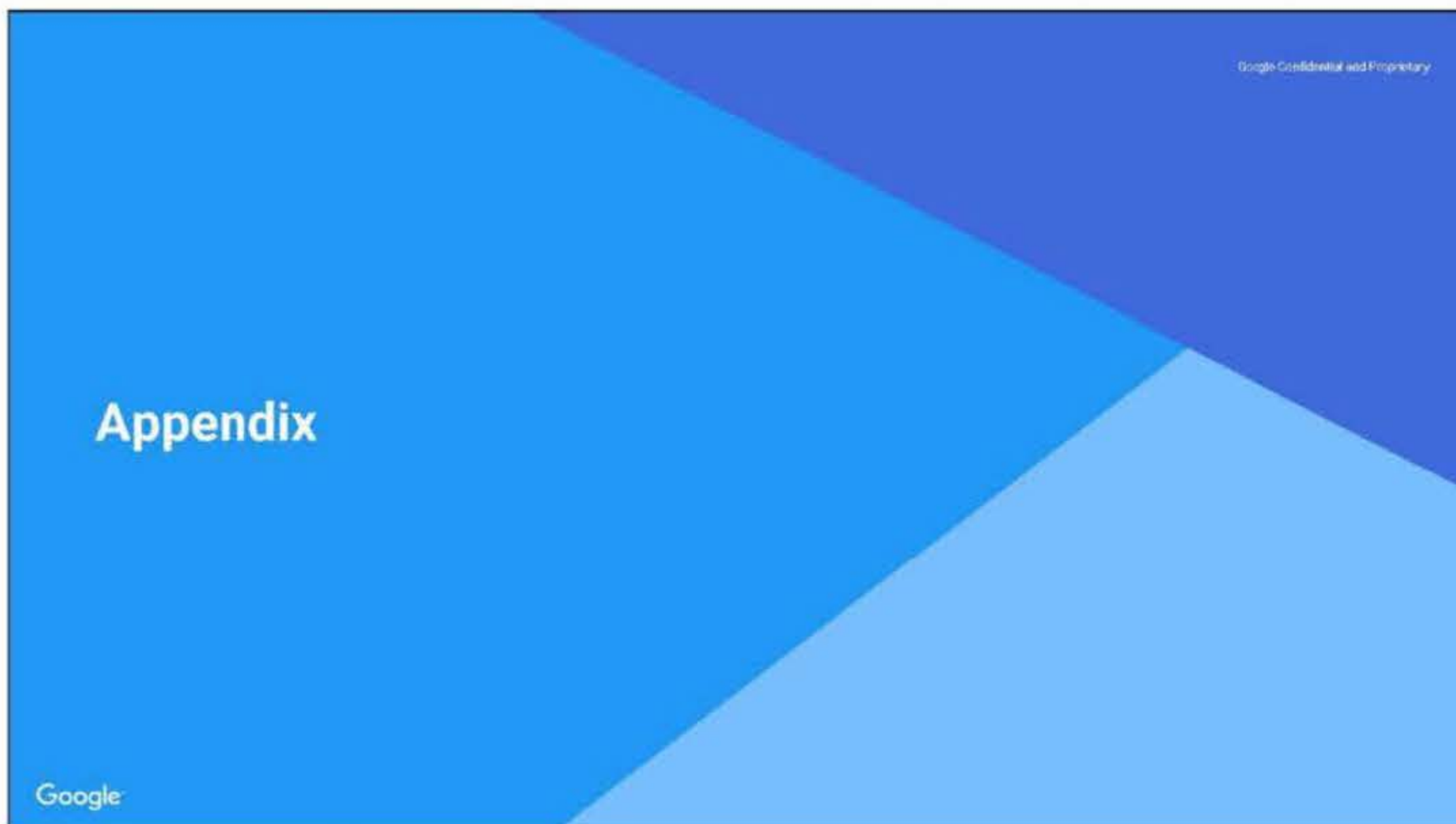**[DRAFT]** Trade Marketing Value Proposition

Google

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Trade Marketing North Star by Segment

Google

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Product - Trade Marketing Challenges and Opportunity

Google

Solution components	Head Retailer to Head Mfr. (H2H)	Head Retailer to Torso Mfr.	Torso Retailer to Head Mfr.	Torso Retailer to Torso Mfr.	All other verticals

Infrastructure
[Billing, Reporting, etc]

Activation/ management
- Co-bidding
- Co-funding
- Co-targeting
- etc.

*H2H Retailers w/ Media Networks desire more retail controls/MaaS w/Top Mfrs.

Shopping

Local Campaigns

Search

Youtube / Display etc

Measurement
- Online
- Offline

Conversion with Cart Data Beta [SKU Level Online Conversions]

Store Visits Reporting

❶ Custom Offline Measurement

❷ Enhanced Store Sales Direct (SSD)

Speaker: TBD

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Google's Trade Marketing Efforts to Date (1 of 2)

	Effort	Description	Status / Resources	Impact	GTM Lessons	GBO Lead(s)
Shopping [Plug + Play]		Onsite retailer.com search monetization, akin to Criteo and Amazon's sponsored product ads	7 Retailers Live. 200+ Manufacturer brands live	• ~$1M+ incremental • WMT + TGT verbal commitment. Vital to drive revenue (30M+ year 1 target)		Jon Schick (Publishers) Christina Brandeberry
		Solution allowing a brand manufacturers to cost share CPCs of SKUs across retailer partners via Co-Op Shopping campaigns	Launched in late Q4 '18 as Closed PILOT. 8 Retailers live / launched ready; EOY goal 25+	• ~$2M incremental revenue to date via closed Pilot. • Scaling with Q2 Alpha launch • Targeting Public Launch at GML		Christina Brandeberry
Platforms		Enable secure customer data sharing among retailers and manufacturers to unlock the full funnel and increase conversions	5 Retailers executing Digital Trade via GMP, Kroger, TGT, and BB at scale; 20 active leads; TGT launching MaaS for select brands	• $52M (Kroger & Target) on DV360 (2018) • $83M (Kroger & Target) on DV360 (2019 projection)		Steve Yap Paul Limbrey

Google's Trade Marketing Efforts to Date (2 of 2)

Google

	Effort	Description	Status / Resources	Impact	GTM Lessons	Lead(s)
Activation	Whales [Big Box]	High touch podded support mapped to Retailers with internal Media Networks	Dedicating ~20% time to unlocking Co-Media	• TGT pod drove an incremental $30M in TMN revenue in 2018 • WMT unlocked $4.5M in Q4 pilot acoss 4 brands	████████████	John Breen Chris Valle
	Category Leaders [Specialty + Pure Play]	Scaled education + packaging Google Ads to Category Leaders, operationalizing packaging / reporting via gCS	Specialty: Two Dedicated AEs, $80M = Goal for 2019; Pure Play: Dedicating ~20% time	• $8M new revenue unlocked H218 • $43M anticipated for 2019	████████████	Kiran Mani John Nicoletti
	CG&E	Penetration of Shopper Marketing orgs to shift offline trade marketing dollars to digital; selling through packages of Google Ad solutions	FBR, HPC Podded AEs dedicating ~20% time	• $10M / quarter of shopper revenue across HPC & FBR • ~$2M+ incrementality for Google / quarter	████████████	Brian McDevitt Julie Krueger

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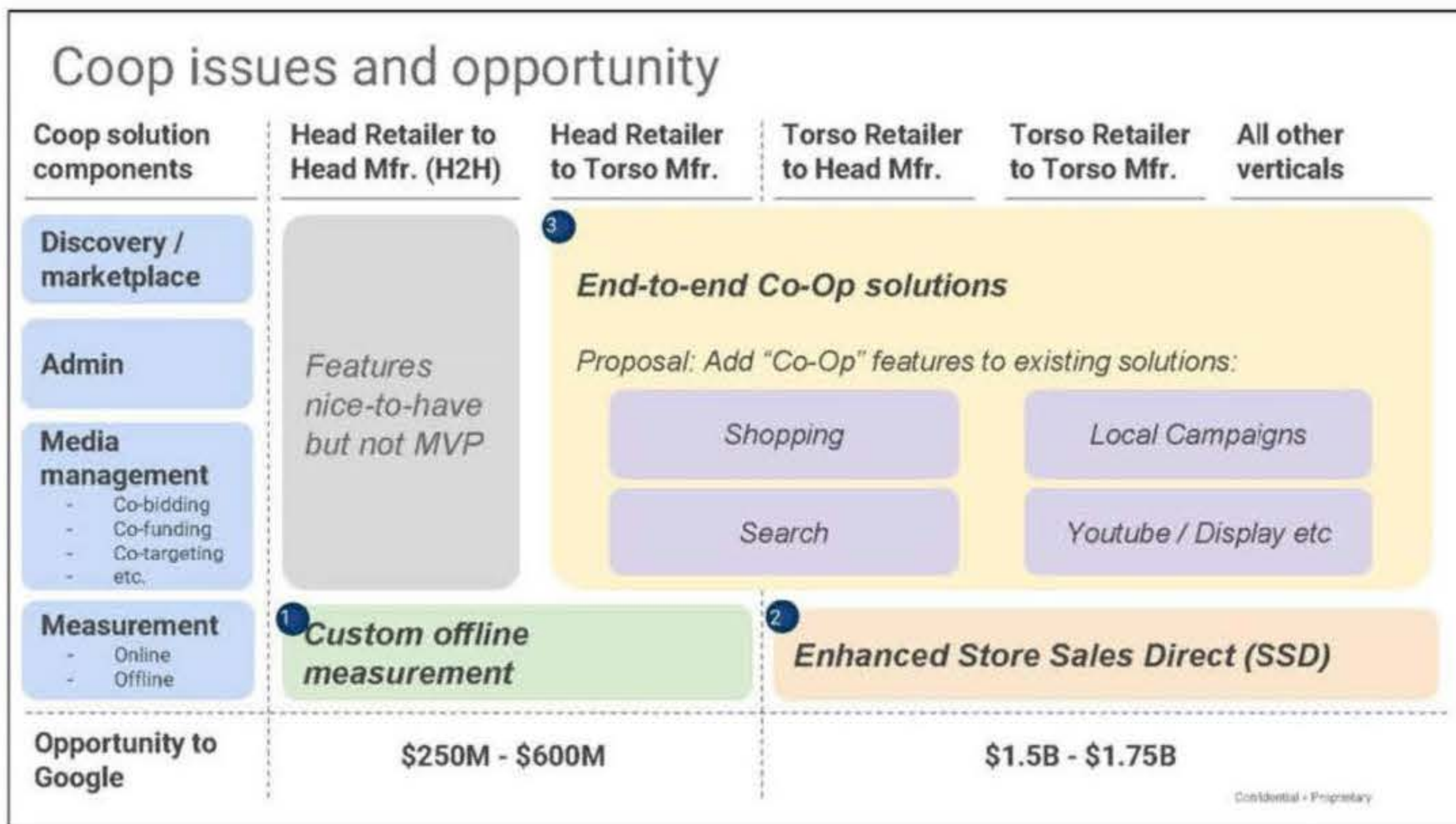
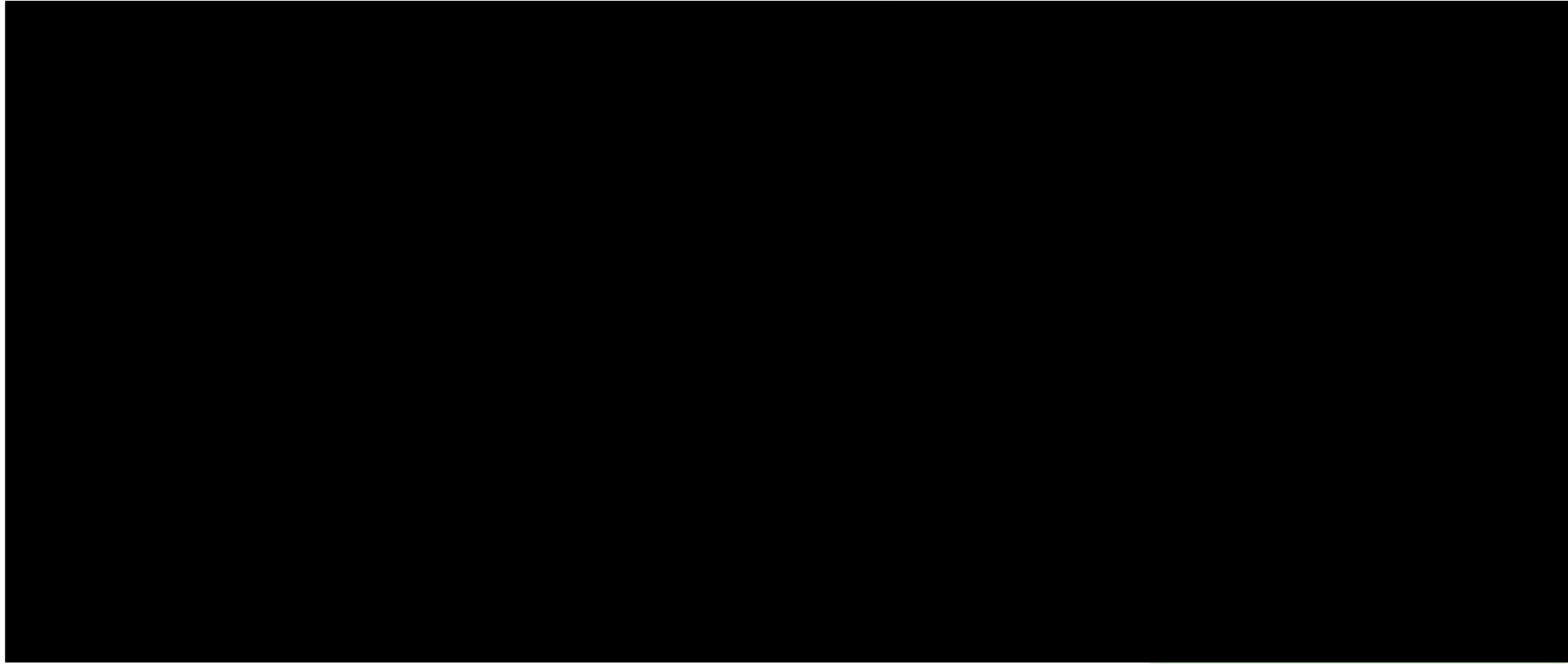Missing: store visits

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1. Coop offline measurement: GCP-based for H2H
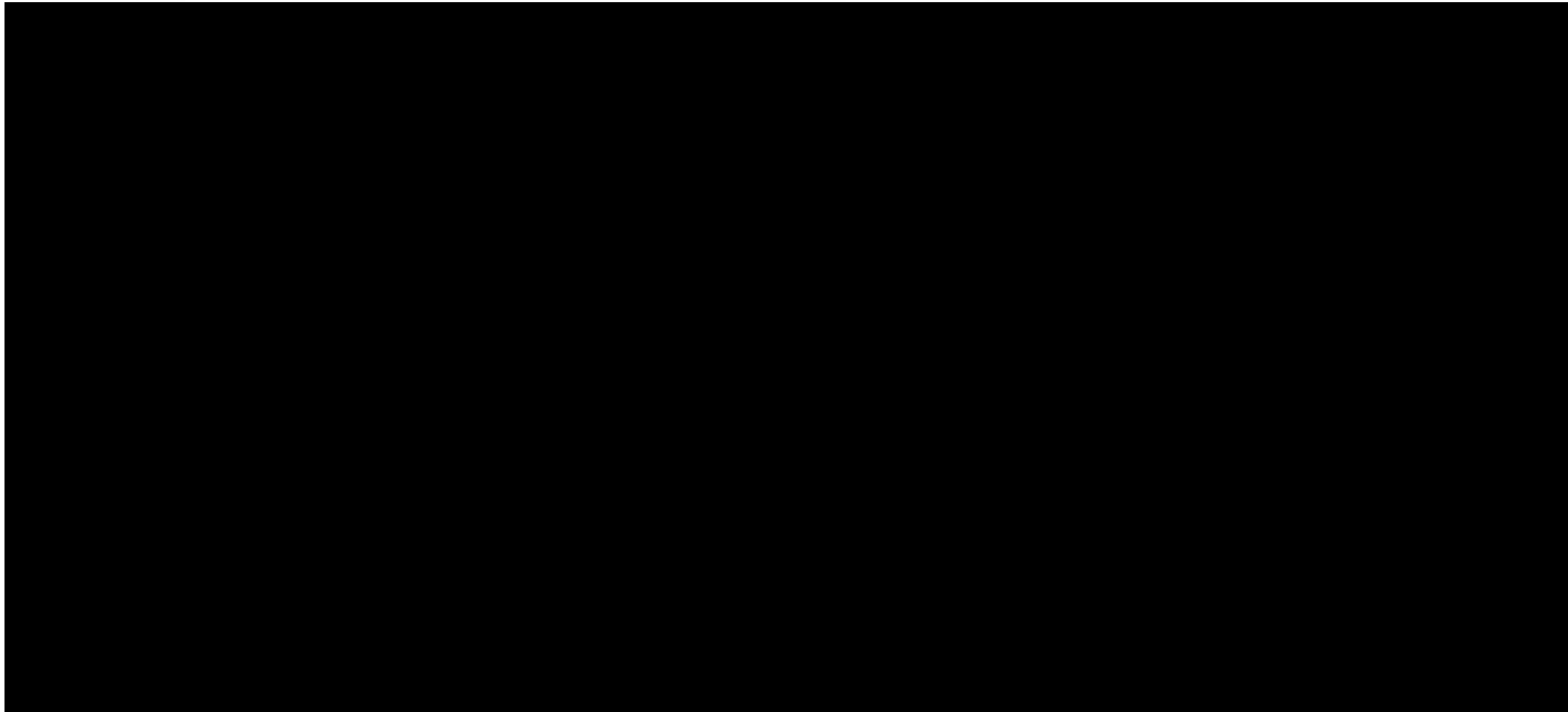
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Deliberately not talking of the underlying tech we will use to build the product (eg, ADH or not)

Proprietary

GOOG-DOJ-03047072

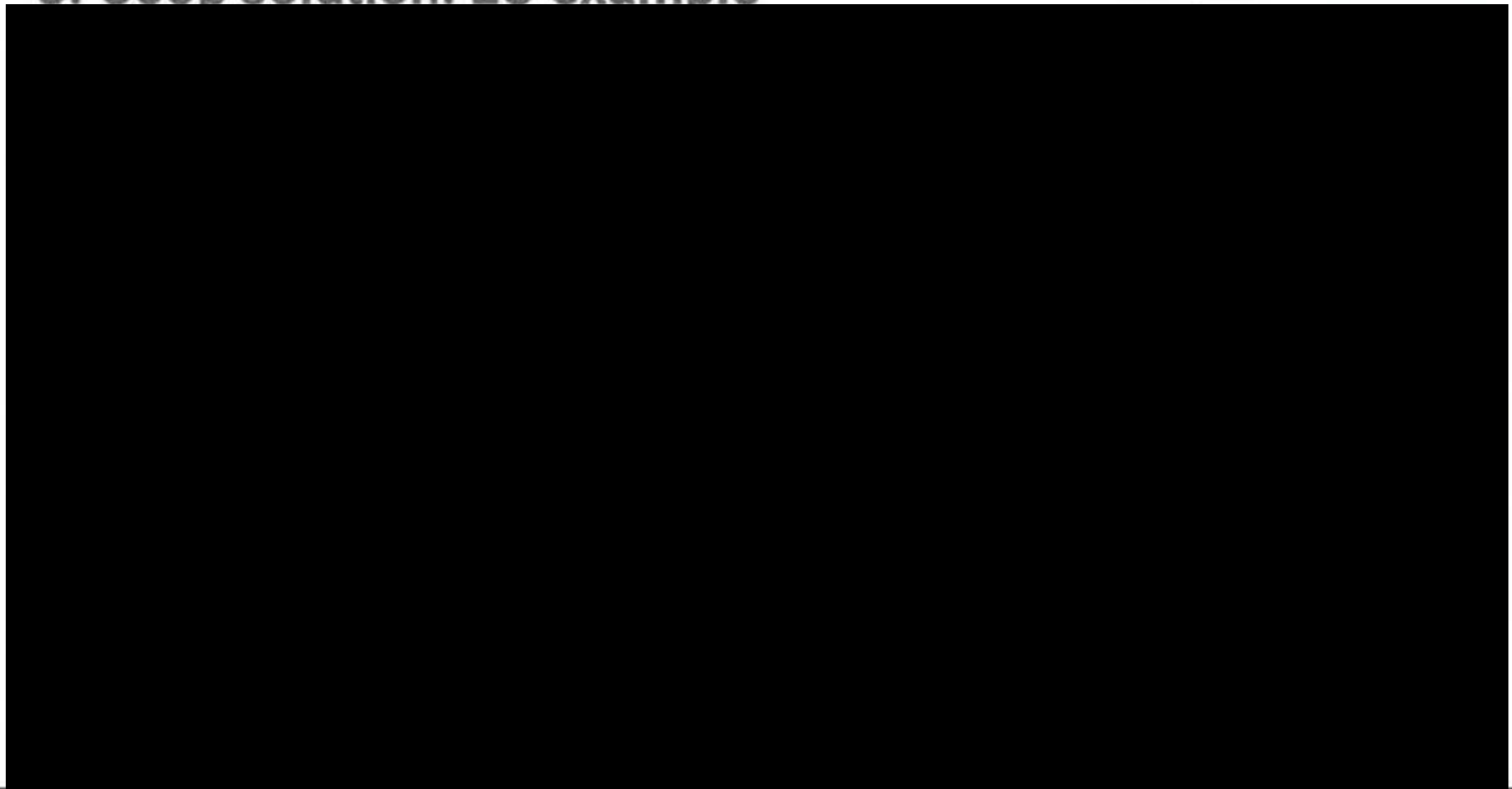## 2. Coop offline measurement: SSD for non-H2H retail and other verticals (e.g., Auto, Finance)

Google

Confidential + Proprietary

3. Coop solution: LC example

Utilize shopping co-bidding, co-funding infra

Direct to Consumer vs. Selling via Third Party Retailer

Google

DTC

- Preferred model for branded apparel and goods manufacturers
- Higher margin and more control
- Closed loop measurement

Selling via Third Party Retailer

- Historical model
- Retailers have no need to provide transparency and reporting

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